

Message Text

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65

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STRE-00 OMB-01 CEA-01 STR-04 CIAE-00

INR-07 NSAE-00 XMB-02 FRB-03 COME-00 OPIC-03 L-03

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E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: CENTRAL BANK CONCERNED ABOUT POSSIBILITY OF NEW YORK
CITY DEFAULT

1. ON NOVEMBER 3, CENTRAL BANK OF VENEZUELA AND THE VENEZUELAN
INVESTMENT FUND CALLED IN REPRESENTATIVES OF MAJOR U.S. BANKS
TO EXPRESS CONCERN OVER SECURITY OF THE VENEZUELAN FINANCIAL
ASSETS IN U.S. IF NEW YORK CITY SHOULD DEFAULT ON ITS BOND
OBLIGATIONS. CENTRAL BAK VICE PRESIDENT CARLOS RAFAEL SILVA
EXPLAINED THAT MEETING WAS PROMPTED BY PRESIDENT FORD'S ASSERTION THAT

HE WOULD VETO ANY LEGISLATION PROVIDING FEDERAL GOVERNMENT
ASSISTANCE TO NYC.

2. ACCORDING TO ONE OF THE REPRESENTATIVES PRESENT, SILVA ASKED
THE FOLLOWING:

A. THE OPINION OF EACH BANK REGARDING THE POSSIBILITY OF
DEFAULT AND REPERCUSSIONS SUCH AN OCCURRENCE WOULD HAVE;

B. THE AMOUNT OF NYC BONDS HELD BY EACH BANK; AND

C. THE ADVICE OF EACH BANK CONCERNING THE SECURITY OF
VENEZUELAN HOLDINGS.

THE ASSEMBLED REPRESENTATIVES WERE NOT ASKED TO REPLY ON THE SPOT,

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BUT WERE ASKED TO CONSULT URGENTLY WITH THEIR HOME OFFICES BEFORE

REPLYING.

3. WE HAVE SINCE LEARNED THAT SILVA IS GOING TO NEW YORK THIS WEEK
TO CHECK THE SITUATION PERSONALLY.

4. COMMENT: THE CENTRAL BANK AND THE VENEZUELAN INVESTMENT FUND
HOLD MORE THAN \$5 BILLION IN TIME DEPOSITS AND OTHER ASSETS IN
U.S. BANKS.
SHLAUDEMAM

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